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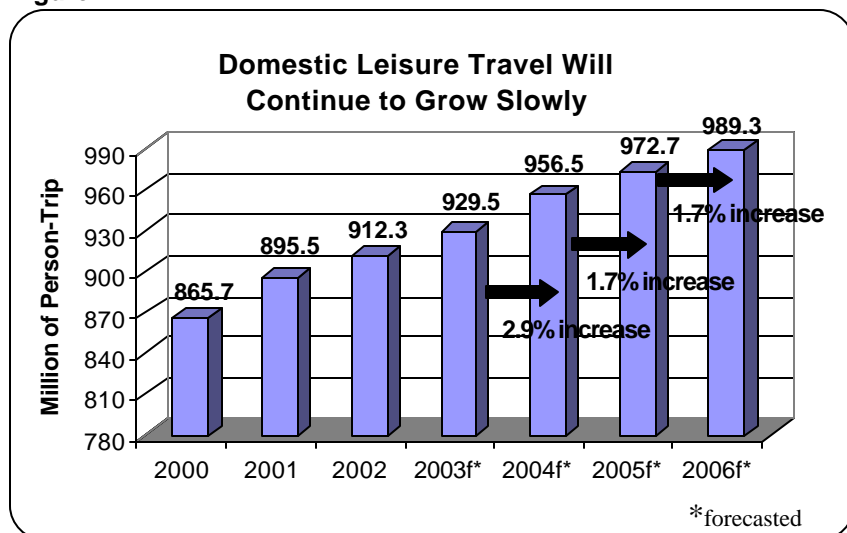
Travel Industry Outlook and Trends

By Norma P. Nickerson, James Wilton, & Melissa Dubois

Another Slow Year for Montana Tourism

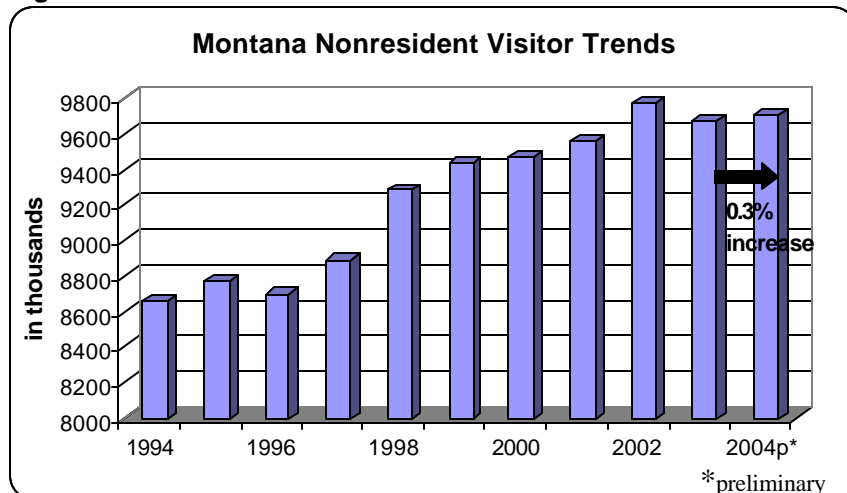
While domestic travel in the United States increased by nearly three percent in 2004 (Figure 1), nonresident travel in Montana remained flat from 2003 to 2004 (0.3% increase) (Figure 2).

Figure 1:



Source: Travel Industry Association of America

Figure 2:



Source: ITRR

It is unclear as to why Montana is not experiencing the same increase as the U.S.; however, there are a number of possibilities.

1. Gas prices may have reduced the number of long-haul trips. Nationally, people are vacationing closer to home. Montana does not have a large population base nearby to draw nonresidents and therefore nonresident visitation to Montana suffers when travelers stay closer to home.
2. Montana is beginning to experience a change in the visitor profile. There are now fewer cars in the summer months compared to previous years (recall the long-haul vacation trend in #1 above) but more cars in the spring and fall. However, the additional spring and fall cars have fewer people per car. Therefore, the overall non-resident visitation number has barely changed in the past year but the number of vehicles has increased.
3. Tourism advertising is a very competitive business. The Montana Division of Travel Promotion states their available dollars for advertising has not kept pace with the cost of advertising increases as well as other mountain states' advertising budgets. When other destinations are out-advertising Montana, it is a "harder sell" to get visitors to the state.

- The largest single draw to Montana is Yellowstone National Park. Preliminary estimates from 2004 indicate that Yellowstone National Park had five percent fewer visitors than in 2003. Without Yellowstone visitors, Montana has a hard time increasing their overall visitation (Figure 3).

Even though overall visitation to Montana was relatively flat in 2004, air traffic actually increased five percent (Figure 4). Every major community in Montana experienced an increase in deboardings over 2003 (Table 1). Helena experienced the largest percentage growth at nearly 12 percent followed closely by Bozeman at 10 percent.

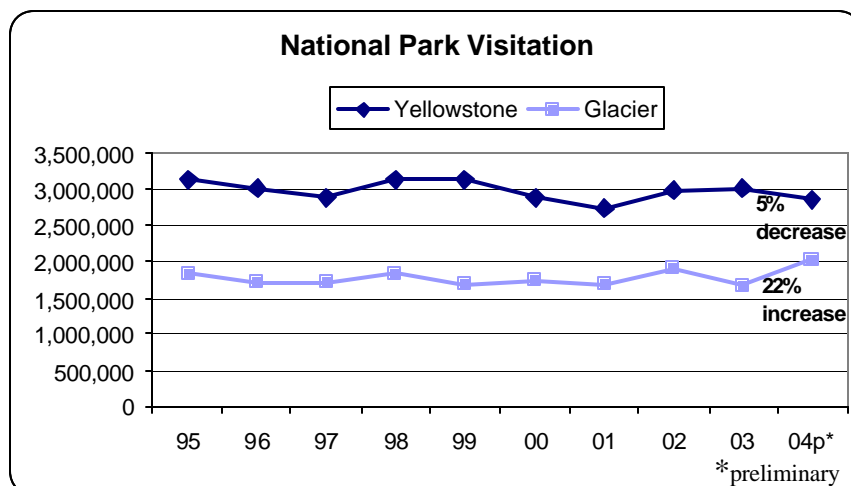
Table 1:
Airport Deboarding by City
(Nov. YTD)

City	% change 2004 vs 2003
Helena	11.6%
Bozeman	9.7%
Kalispell	6.9%
Missoula	5.9%
Great Falls	5.8%
Billings	4.6%
Butte	3.7%

Trends in Montana accommodations continue to be quite different than the overall mountain region trend (Figure 5). In 2004 the number of rooms sold decreased 0.4 percent over 2003 while the mountain region increased 4.6 percent.

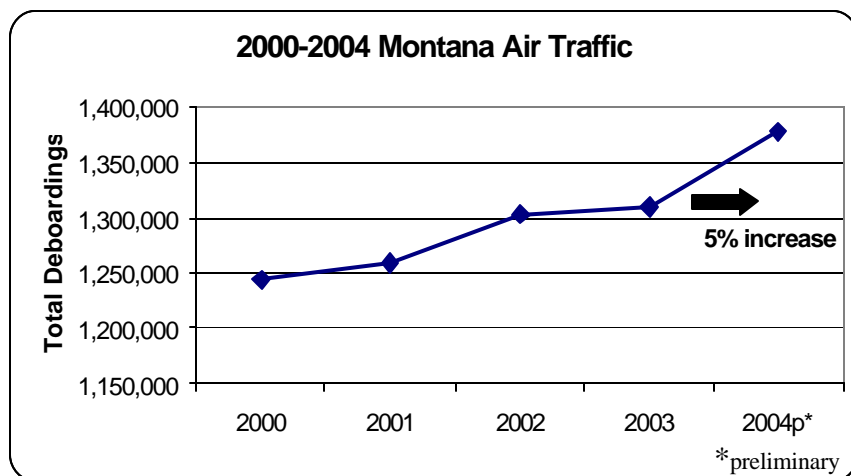


Figure 3:



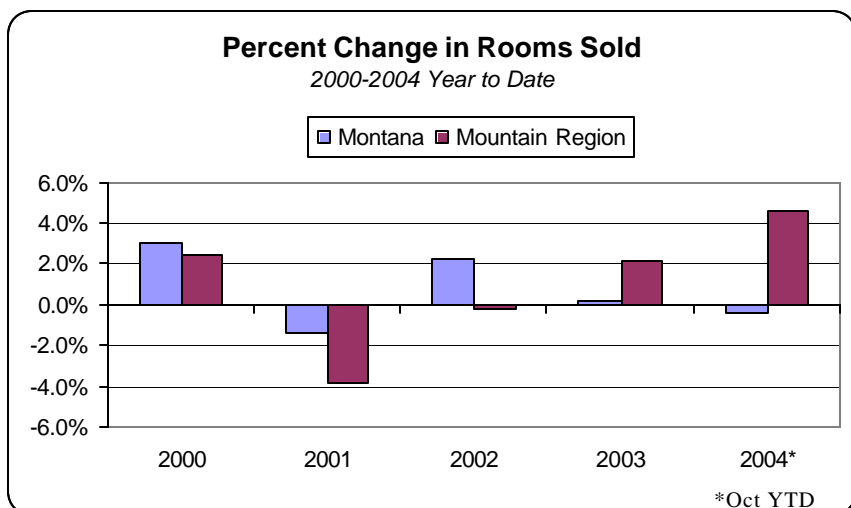
Source: National Parks Statistics

Figure 4:



Source: Montana Aeronautics Division

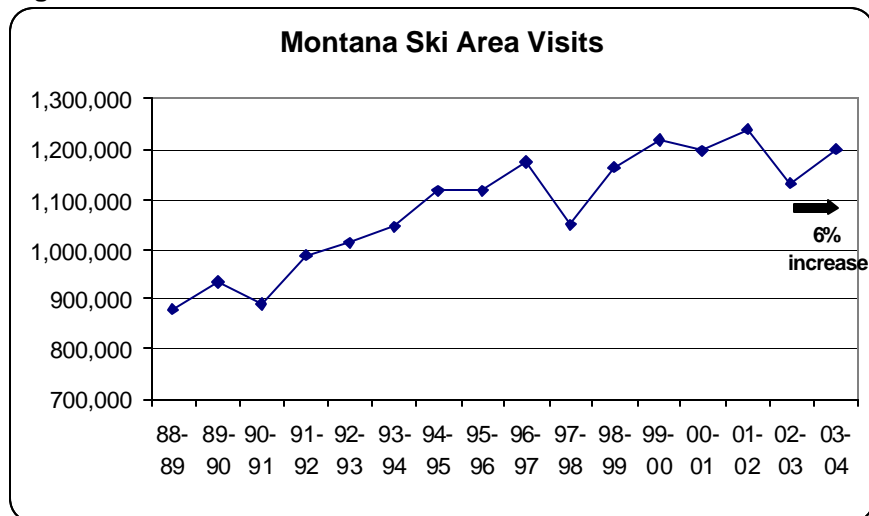
Figure 5:



Source: Smith Travel Research

The 2003-04 skier visits in Montana increased six percent over 2002-03 visits (Figure 6); however, there appears to be an overall trend of increasing skier visits it is not a straight line. Skier visits are perhaps one of the most difficult futures to project. While snow may fall heavily on one resort, it may leave another one with minimal snowpack. To illustrate, Table 2 highlights the highest visitation year for 15 Montana resorts since 1988.

Figure 6:



Source: USDA Forest Service, Big Sky, Great Divide

Table 2:

Best Ski Year Reported Since 1988

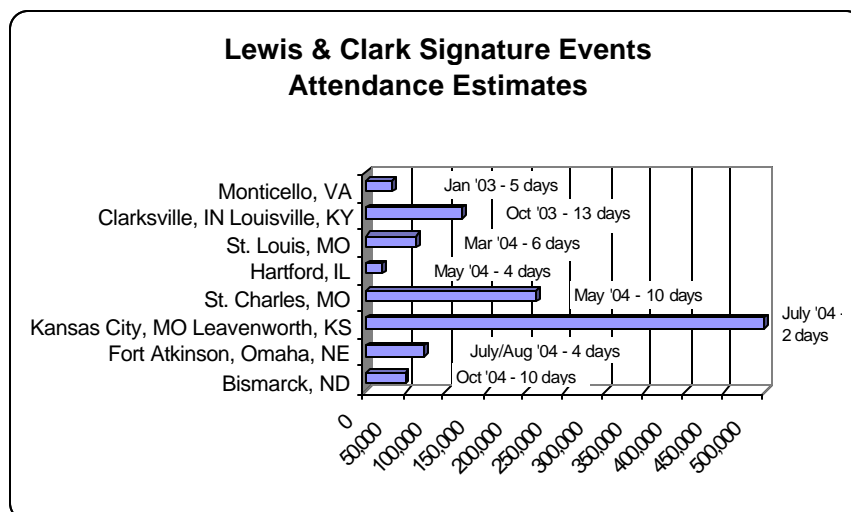
Ski area	Year	Skier Visits
Lookout Pass		46,858
Great Divide	'03-04	70,000
Blacktail		35,715
Marshall		33,526
Snowbowl	'01-02	68,832
Turner		5,596
Big Sky	'00-01	320,767
Lost Trail	'99-00	45,738
Red Lodge	'97-98	147,406
Maverick	'96-97	11,964
Discovery	'95-96	62,066
Big Mountain		296,909
Bridger	'94-95	192,551
Showdown		59,152
Teton Pass/Rocky Mt.	'93-94	7,861

Source: USDA Forest Service, Big Sky, Great Divide

Lewis and Clark

It's time! Two-hundred years ago, Lewis and Clark spent the summer in Montana on their trek to the Pacific Ocean. Montana has been gearing up for this commemoration for nearly 10 years and while there have been a wide range of estimates of how many people will visit during 2005 and 2006, no one really knows what this commemoration will bring. If the experience of other states is a gauge, Montana will see as few as 15,000 or as many as 500,000 over a number of days of events. Figure 7 illustrates the estimated attendance at Lewis and Clark Signature Events beginning January 2003 at Monticello, Virginia. These estimates were generated by the actual counts as people went through gates (accuracy guaranteed) to the number of cars in a parking lot, to the amount of toilet paper used (accuracy not guaranteed)!

Figure 7:



Source: ITRR-visitation estimates as reported by event organizer

Fifteen Signature Events have been scheduled along the trail, two in Montana. "Explore! The Big Sky," is a National Lewis and Clark Bicentennial Signature Event, taking place in Fort Benton/Great Falls Montana, June 1 – July 4, 2005 (34 days), commemorating Lewis and Clark's expedition and the Plains Indians they encountered. "Clark on the Yellowstone" will occur the following summer, July 22-25, 2006, (4 days) at Pompey's Pillar just east of

Billings. The number of days of the Great Falls/Ft. Benton event should generate a substantial number of visitors. The question is – will they be fellow Montanan or out-of-state visitors? Only time will tell.

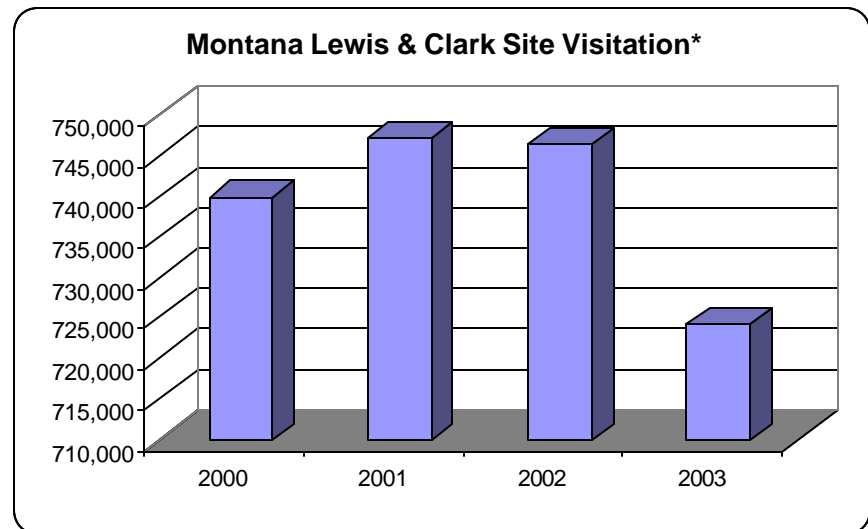
In addition to Signature Events, the National Park Service is sponsoring the Corps of Discovery II, a mobile exhibit featuring film, ranger programs and live presentations by historians, leaders of American Indian nations and Lewis & Clark experts. In total, it will be located in 76 communities along the trail. To date, this mobile exhibit has experienced as few as 3,600 visitors in Nebraska City, NE and as many as 15,000 visitors in Bismarck, ND. Table 3 identifies some of the communities, the population of the community, and how many visitors went to Corps II. In 2005, Corps II will be in 11 Montana cities starting in Fort Peck on May 6th. It will return to six Montana communities on the return trip in 2006. The Corps II is smaller and tends to draw more local people to the exhibit than the Signature Events.

Table 3:
Corps II Visitation Estimates

City	Approx. Pop.	Visitation	Date of Event
Bismarck, ND	55,500	15,000	10/22-10/31/04
Fort Pierre, SD	2,000	8,000	10/18-10/3/04
Sioux City, IA	85,000	5,400	8/17-8/22/04
Nebraska City, NE	7,200	3,600	7/16-7/18/04
St. Joseph, MO	74,000	6,500	7/9-7/12/04
Jefferson City, MO	40,000	8,000	6/1-6/6/04
Saint Genevieve, MO	4,500	4,000	5/1-5/4/04

Source: National Park Service

Figure 8:



Source: ITRR-visitation estimates as reported by site

* Sites include: Big Hole National Battlefield, Fort Peck Lake, Fort Union Trading Post, Headwaters Heritage Museum, Lewis & Clark Interpretive Center, Missouri Headwaters State Park, Pompey's Pillar National Monument, Fort Benton, Museum of the Upper Missouri, Museum of the Rockies, Upper Missouri River (BLM float estimates), Upper Missouri River Visitor Center.

Looking beyond *events* surrounding Lewis and Clark, ITRR has gathered estimates of visitation at various Montana Lewis and Clark sites over the last few years. Figure 8 provides an interesting picture of visitation at Montana sites between 2000 and 2003. As shown, visitation to these sites went down in 2003 by nearly three percent. Visitation figures from 2004, while not complete, appear to be down again from 2003. The decrease may be attributed to the same speculations as to why Montana nonresident visitation overall is flat -staying closer to home, and less advertising compared to other states. However, numbers may be down because the Lewis and Clark enthusiasts are visiting the states where Lewis and Clark were 200 years ago. If that holds true, sites in Montana should experience a comeback in 2005.

Montana Tourism Businesses

Each year, ITRR conducts a survey of Montana tourism business owners and managers who service visitors. This year a web survey was administered and 154 responded with their information about 2004 and their views of 2005. Table 4 highlights responses by travel region while Table 5 highlights responses by type of business. The sample size becomes relatively small when divided into six categories, but it still provides a glimpse into tourism businesses and their regional component.

In Table 4, the largest response to the survey came from Glacier Country business owners (37%) followed by Yellowstone Country (22%); however, each travel region was represented. When looking at 2004 compared to 2003, each region's business owners saw more

increases than decreases in visitation with Russell Country experiencing the highest number of business owners with an increase in visitation (63%). While 36 percent of Gold West Country respondents indicated a decrease in visitation, this is not unusual on an off-legislative year. More than half of all respondents in each region expect an increase for 2005. Respondents in Russell Country (81%) and Gold West Country (78%) were the highest in increases expected. Interestingly, respondents in each region (except one) said that better marketing is the biggest reason for an expected increase. In Russell Country, the Lewis and Clark Commemoration is the main reason that 86 percent of business owners are expecting an increase in 2005.

In keeping with the theme of the 2005 Outlook seminar topic, taxes, ITRR asked tourism business owners around the state to reflect on six tax questions. As

seen in Table 4, the sales tax issue is receiving support from the tourism business community. While tourism business owners believe that nonresidents already pay their fair share of taxes for the services they use (67%), when compared to the fact that other states tax their visitors, nearly half (49%) said Montana should do the same. Seventy-two percent do not believe a sales tax would deter nonresidents to visit Montana and 64 percent believe a statewide sales tax would benefit Montana's economy. When asked about their personal support of a statewide sales tax, 54 percent said they would support it while 42 percent would support a local option sales tax. Interestingly when examined by travel region, it is apparent that business owners in Gold West Country and Glacier Country are far less likely to support a sales tax while business owners in Yellowstone Country and Missouri River Country are more supportive of a statewide sales tax. Less than 50 percent of 5 of the regions were supportive of a local option sales tax.

Table 4:
Response to Survey Based on Travel Region Location*

Region and percent of total response to survey	Glacier 34% n=47	Yellowstone 22% n=31	Gold West 19% n=27	Custer 9% n=13	Russell 10% n=14	Missouri 5% n=7	Total* n=139
Changes in 2004							
Saw 2004 visitation increase	43%	57%	50%	40%	63%	43%	49%
Saw 2004 visitation decrease	20%	17%	36%	33%	13%	29%	23%
Visitation remained same	37%	27%	14%	27%	25%	29%	28%
Expected changes in 2005							
Expect visitation increase	63%	65%	78%	53%	81%	57%	67%
WHY? Bookings up	39%	55%	36%	20%	29%	75%	
Better marketing	61%	75%	60%	60%	36%	100%	
Gradual increase	49%	65%	46%	30%	29%	25%	
Expanded offering	27%	25%	23%	30%	14%	25%	
L&C commemoration	30%	15%	46%	10%	86%	50%	
Good Economy	21%	20%	14%	30%	14%	50%	
Expect visitation decrease	8%	7%	7%	13%	0%	0%	7%
Expect same visitation	29%	29%	15%	33%	19%	43%	26%
Tax Questions							
Nonresident visitors pay their fair share of taxes to the state for the services they use:							
Agree	75%	55%	74%	71%	71%	29%	67% agree
Other states charge a sales tax to visitors, therefore visitors to Montana should pay a sales tax:							
Agree	33%	68%	50%	60%	40%	71%	49% agree
Montana would lose nonresident visitors if a sales tax were enacted:							
Agree	31%	23%	29%	13%	47%	0%	28% agree
Enacting a statewide sales tax would benefit Montana's economy:							
Agree	53%	76%	64%	67%	73%	83%	63% agree
I would support a statewide sales tax:							
Agree	44%	73%	39%	67%	63%	83%	54% agree
I would support a local option sales tax:							
Agree	48%	54%	32%	40%	33%	33%	42% agree

*May not add to 100% due to rounding

Table 5 provides a different view of the same survey when examined by type of business rather than travel region. These businesses represent 1 to 70 years of service in Montana. Respondents of ranches, resorts and hot springs have been in business, on average, longer than any of the other businesses (nearly 19 years). Outfitters and guides were next with nearly 16 years while owners of vacation homes/condos/cabins have been in business the least number of years on average at nearly 6 years.

Forty-nine percent of all business respondents experienced an increase in 2004 over 2003. Bed and breakfast owners (63%) followed by vacation homes/condos/cabins (58%) had the highest number of respondents with increases. Ranches, resorts and hot springs had the highest percentage of visitation decreases with 39 percent indicating a decrease in 2004.

Expectations are high, however, for 2005. More than half of all respondents believe their visitation will be up in 2005 with "better marketing" being the main reason they believe business will increase. Sixty-nine percent of ranches, resorts and hot springs are reporting that their bookings are up for 2005 while 40-64 percent of each business type indicate they are experiencing a gradual increase each year.

Business changes over the next year show that bed and breakfast owners (67%) are likely to expand at their current site, however, one-quarter of them indicated they will close down or sell their bed and breakfast business. Seventy-eight percent of campground owners say they will renovate at their current site, while 38 percent of the outfitters and guides say they will add more business elsewhere. It appears that most tourism business owners in Montana have plans for changes in 2005 as well as expecting a good year of visitation.

Table 5:
Response to Survey Based on Type of Tourism Business*

Business Type and percent of total response to survey N=126	Motel	B&B	Dude/guest Ranch & Resorts/hot springs	Vacation homes/condos/cabins	Camp-grounds	Outfitter/Guides
	24% n=30	13% n=16	14% n=18	19% n=24	10% n=12	21% n=26
Changes in 2004						
Saw 2004 visitation increase	43%	63%	44%	58%	42%	39%
Saw 2004 visitation decrease	30%	19%	39%	8%	33%	31%
Visitation remained same	27%	19%	17%	33%	25%	31%
Expected Changes in 2005						
Expect visitation increase	67%	77%	72%	52%	55%	58%
WHY? Bookings up	40%	29%	69%	36%	14%	40%
Better marketing	65%	57%	77%	64%	57%	60%
Gradual increase	40%	57%	46%	64%	57%	40%
Expanded offering	30%	29%	8%	29%	14%	33%
L&C commemoration	50%	21%	23%	29%	43%	40%
Good Economy	20%	7%	31%	14%	0%	27%
Expect visitation decrease	13%	6%	0%	4%	18%	8%
Plans to do in the next year:						
Expand current site	21%	67%	8%	16%	57%	35%
Renovate current site	56%	63%	23%	12%	78%	38%
Add more sites/business elsewhere	11%	29%	10%	18%	17%	38%
Close down/sell	6%	25%	10%	0%	0%	8%
Number of years in business:						
Mean	14.8	6.53	18.71	5.67	12.40	15.85
Range	1-52	1-30	2-70	2-25	1-30	2-40

*May not add to 100% due to rounding

The Future

According to the Travel Industry Association of America, the United States in 2005 should see a 1.7 percent increase in domestic leisure travel over 2004 (Figure 1). International visitation has still not returned to 2000 levels, but the weakening dollar suggests that international visitation to the United States will rebound in 2005. Indexes of travel show the following:

- Through 3rd quarter 2004, traveler sentiment index was 99.5 representing a 4% increase over 2003 (95.7).
- Interest in taking a pleasure or vacation trip went from an average of 95.7 in 2003 to 102.1 in 2004 – a good sign for leisure trips.
- Financial index - the ability to take a pleasure trip based on personal finances –had a positive increase in 2004 from 80.7 to 89.6.

- Affordability index - perceived affordability of travel - declined from 116.8 to 104.9 – the one bleak travel index on the horizon.

The future of Montana nonresident travel looks positive. In the annual ITRR survey of travel business and organizations, 49 percent said their visitation numbers increased over 2003, 28 percent remained the same and 24 percent saw a decrease. Only 7 percent predict a decrease in 2005 while a full 67 percent anticipate an increase in visitation for 2005.

With Lewis and Clark as a draw, and fewer Americans traveling overseas due to a weakening dollar, Montana should experience at least a two percent increase in nonresident visitation in 2005.